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Isiah Leggett
County Executive

DEPARTMENT OF FINANCE
M E M O R A N D U M

Jennifer E. Barrett
Director

October 28, 2009

TO: Montgomery County Self-Insurance Fund Members

FROM: Jennifer Barrett, Director
Department of Finance

SUBJECT: FY11 Contribution Allocation and Operating Budget

Montgomery County Code requires that the proposed budget for the Self-Insurance Program be submitted to participating agencies by November 1. Attached is the contribution allocation spreadsheet that shows the recommended level of contribution for your agency for FY11. I have also attached a copy of the basis for the allocation and the most recent actuarial study for the Self-Insurance Program.

The total appropriation request is \$50,174,240, an increase of \$1,606,760 over the FY10 appropriation. Agency contributions are \$54,717,460, an increase of \$15,097,830 over FY10. This increase is necessary due to significant adverse experience in claims expense and reserves, primarily for workers' compensation claims. In addition to the adverse claims experience, the self insurance fund is in a deficit fiscal position. Part of the increase in contributions is to cover the deficit.

Another factor in the increase in agency contributions for FY11 is the significant reduction in investment income earned by the self insurance fund which, in previous years, helped to offset contributions. This amounts to several million dollars. For example, in FY08 the fund earned over \$5 million in investment income. For the current year, the projection is about \$400,000.

The contribution level is presented to you is our best estimate as of October 28, 2009. Please recognize that these projections are subject to the review and approval of the County Executive and the County Council. I will notify you immediately if there are any changes as we proceed through the budget process.

If you have comments or questions, please call Terry Fleming at 240-777-8911.

JB/tf

ATTACHMENTS

cc: Terry Fleming, Division of Risk Management

Office of the Director